

Message Text

UNCLASSIFIED

PAGE 01 WELLIN 01843 180416Z

14

ACTION EA-09

INFO OCT-01 EUR-12 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 FEA-01 AGR-10 CEA-01

DODE-00 H-02 INT-05 L-03 NSC-05 PA-02 SS-15 STR-04

ITC-01 PRS-01 IO-13 ISO-00 /140 W
----- 059363

R 180305Z MAY 76

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 1395

INFO USMISSION GATT GENEVA

USDEL MTN GENEVA

USMISSION OECD PARIS

UNCLAS WELLINGTON 1843

E.O. 11652: N/A

TAGS: EGEN, EFIN, NZ

SUBJECT: NEW GNZ PACKAGE OF ECONOMIC MEASURES INCLUDES WAGE INCREASE
AND FREEZE

REF: (A) WELLINGTON 0821, (B) WELLINGTON 1618

1. SUMMARY

AN INCOME STABILIZATION PACKAGE, THE THIRD PACKAGE OF ECONOMIC MEASURES TAKEN BY THE NATIONAL GOVERNMENT THIS YEAR, WAS ANNOUNCED MAY 14 TO RESTRAIN GROWTH OF SALARIES AND WAGES OF WORKERS, MEMBERS OF PARLIAMENT, PUBLIC SERVANTS, FARMERS AND PROFESSIONAL PEOPLE AND TO LIMIT DIVIDENDS, DIRECTORS' FEES AND RENTS AND TO CONTINUE PRICE CONTROLS. PRICE EQUALIZING SCHEMES FOR WOOL AND MEAT WERE ALSO ANNOUNCED. INTEREST ON LOCAL GOVERNMENT STOCKS IS INCREASED. END SUMMARY

2. AT MID-NIGHT ON MAY 14 (FRIDAY), THE PRIME MINISTER'S OFFICE ANNOUNCED A COST-OF-LIVING ALLOWANCE EQUAL TO 7 PER CENT
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 WELLIN 01843 180416Z

OF ORDINARY PAY OR \$7 PER WEEK, WHICHEVER IS LESS, TO TAKE

EFFECT JUNE 25, 1976. THIS REPLACES THE COST-OF-LIVING ORDER WHICH WOULD HAVE TAKEN PLACE ON JULY 27 BASED ON THE CPI 6 MONTHS' INCREASE. ALL EXISTING AGREEMENTS AND AWARDS GOVERNING WAGES AND SALARIES WILL BE EXTENDED FOR ONE YEAR FROM MAY 14, 1976, OR THEIR EXISTING EXPIRY DATES, WHICHEVER IS LATER. NO AGREEMENT IS TO BE EXTENDED BEYOND SEPTEMBER 30, 1977. A SPECIAL 5-MAN TRIBUNAL WILL HEAR ANY APPLICATION OF THE FEDERATION OF LABOUR (FOL) OR THE EMPLOYERS' FEDERATION (EF) FOR A GENERAL WAGE INCREASE. ITS DECISIONS WILL HAVE OVERRIDING REGARD FOR NZ ECONOMIC STABILITY.

3. ALL PROFESSIONAL FEES AND CHARGES ARE FROZEN AT MAY 14, 1976 LEVELS.

4. DIVIDENDS ARE LIMITED FOR ONE YEAR TO THE RATE PAID IN THE PRECEDING 12 MONTHS, THE AVERAGE RATE PAID IN THE PRECEDING 3 YEARS, OR 5 PER CENT, WHICHEVER IS HIGHEST.

5. DIRECTORS' FEES WILL BE LIMITED TO \$100 FOR ONE YEAR OR TO THE AMOUNT PAID IN THE PRECEDING YEAR, WHICHEVER IS GREATER.

6. THE RENT APPEAL BOARDS WILL NOW BE REQUIRED TO HAVE REGARD FOR THE "OVER-RIDING AND PREDOMINANT CRITERION OF PROMOTINGS"THE ECONOMIC STABILITY OF NEW ZEALAND."

7. EXISTING PRICE REGULATIONS WILL BE STRICTLY ENFORCED. PRICE INCREASES WILL BE PERMITTED ONLY ON PROVEN COST INCREASES.

8. THE MARGIN OF LOCAL GOVERNMENT STOCK ABOVE THE LONG TERM GOVERNMENT STOCK RATE IS INCREASED TO 1 1/2 PER CENT (FOR A MAXIMUM OF 9 1/2 PER CENT) TO ASSURE SUSTAINED LOCAL AUTHORITY CAPITAL WORKS EXPENDITURES. TO ENSURE EXISTING CONTRACTS ARE NOT DISRUPTED, THE PROHIBITION ON RAISING LOANS FOR NEW WORKS IS EXTENDED TO MARCH 31, 1977.

9. THE MEAT PRODUCERS' BOARD AND THE WOOL BOARD ANNOUNCED MARKET-RELATED PRICE EQUALIZATION SCHEMES. MINIMUM WOOL PRICES WILL BE SUPPORTED BY A FUND DERIVED FROM A FLAT-RATE LEVY ON ALL SHORN WOOL OF 3 PER CENT FOR THE 1976-77 SEASON WHEN THE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 WELLIN 01843 180416Z

MARKET RISES ABOVE THE MINIMUM LEVEL. A FURTHER LEVY OF 50 PER CENT OF THE EXCESS ABOVE A TRIGGER PRICE WILL BE APPLIED. MINIMUM MEAT PRICES WILL BE SUPPORTED BY A FUND FINANCED BY A 50 PER CENT LEVY WHEN PRICES RISE ABOVE A TRIGGER PRICE. TRIGGER PRICES ARE TO BE SET BY OR AFTER CONSULTATION WITH THE GOVERNMENT ACCORDING TO CRITERIA WHICH ENSURE "THAT ESSENTIAL FARM MAINTENANCE AND DEVELOPMENT EXPENDITURE IS MAINTAINED".

10. COMMENT:

AS A STUDY OF THE COST-OF-LIVING ALLOWANCE WILL REVEAL, THE LOWEST INCOME EARNERS WILL AGAIN RECEIVE THE LARGEST PROPORTIONATE INCREASES. WHEN INCOME TAXES ON THE INCREASES ARE DEDUCTED, THE RESULTANT TOP MARGINAL INCREASE WILL BE ONLY \$2.80 A WEEK. A WORKER RECEIVING \$100 A WEEK WOULD HAVE TO PAY \$2.15 INCOME TAXES ON THE INCREASE. THE SPOKESMEN OF DIFFERENT GROUPS REACTED PREDICTABLY. SIR TOM SKINNER, PRESIDENT OF THE FOL, SAID THE PACKAGE "WOULD DO NOTHING EXCEPT DESRPUT INDUSTRIAL RELATIONS THROUGHOUT THE COUNTRY". HE SAID THE PRIMARY GOVERNMENT CONCERN WAS THE EXTRA 3.5 PER CENT TAX RAKE-OFF FROM THE INCREASES TO FINANCE ITS PROPOSED NEW SUPERANNUATION SCHEME. THE CHAIRMAN OF THE COMBINED STATE SERVICES ORGANIZATION (CSSO) BRANDED THE ANNOUNCEMENT AS A "DEVASTATING AND DASTARDLY ATTACK". DIFFERENT COMMENTATORS QUESTION WHETHER THE MEASURES TO CONTROL PRICES, PROFITS, RENTS, DIVIDENDS, DIRECTORS' FEES AND PROFESSIONAL SALARIES CAN BE EFFECTIVE. IT IS CLEAR THAT THE RECENT IMPORT FIGURES AND PROJECTIONS (SEE WELLINGTON 1770), SHOWING THE DECREASE IN THE RATE OF INCREASE OF IMPORTS TO BE SLOWER THAN FELT NECESSARY, HAVE BEEN A SOURCE OF INCREASED CONCERN TO PRIME MINISTER MULDOON. (THERE ARE GROWING PREDICTIONS OF NEW IMPORT RESTRICTION MEASURES IN THE OFFING, POSSIBLY IN THE NEXT BUDGET). ALSO, RECENT UNEMPLOYMENT FIGURES SHOW UNEMPLOYMENT CONTINUING TO FALL - CONTRARY TO PREDICTIONS. LATEST FIGURE OF REGISTERED UNEMPLOYED IS 4516, PLUS 4848 PEOPLE ON SPECIAL (RELIEF) WORK. IN SPITE OF THE GOVERNMENT'S ACTIONS SO FAR THE ECONOMY CONTINUES TO BE TOO BUOYANT, HENCE THE CRASH EFFORT TO DRAW UP THE LATEST CONOMIC PACKAGE. THOUGH THE REACTION TO THE GOVERNMENT'S LATEST MOVE REVEALS SOME STRENGTHENING OF OPPOSITION, WITH POSSIBLY SOME DISRUPTIONS RESULTING, THERE STILL APPEARS TO BE A GENERAL ACQUIESCENCE TO THE GOVERNMENT'S BELT TIGHTENING POLICY.

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 WELLIN 01843 180416Z

11. COPIES OF THE STATEMENT BY THE PRIME MINISTER OUTLINING THE MEASURES AND SEVERAL ATTACHED "NOTES FOR EDITORS" GIVING ADDITIONAL DETAILS ON DIFFERENT ASPECTS OF THE GOVERNMENT'S PACKAGE, AS WELL AS A PAPER JUST RELEASED BY THE MINISTER OF FINANCE ENTITLED "INCOMES AND PRICES: SOME FACTS AND FIGURES", ARE BEING TRANSMITTED IN THE NEXT UNCLASSIFIED POUCH. ALSO, COPIES OF THE PRESS RELEASES OF THE NZ WOOL BOARD AND THE NZ MEAT PRODUCERS' BOARD, GIVING DETAILS ON THEIR PRICE EQUALIZING SCHEMES, ARE BEING FORWARDED IN THE SAME POUCH.

KILLGORE

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, WAGES, FINANCIAL PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976WELLIN01843
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760191-0800
From: WELLINGTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760539/aaaabhnz.tel
Line Count: 165
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 WELLINGTON 821, 76 WELLINGTON 1618
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 14 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 JUL 2004 by wolfsd>; APPROVED <14 JAN 2005 by CollinP0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEW GNZ PACKAGE OF ECONOMIC MEASURES INCLUDES WAGE INCREASE AND FREEZE
TAGS: EGEN, EFIN, NZ
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006